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SUBJECT: ENERGY AND GREEN TECHNOLOGY IN MALAYSIA

REF: 2009 Kuala Lumpur 148

1. (SBU) SUMMARY: Loo Took Gee, Deputy Secretary-General for Energy at the newly established Ministry of Energy, Green Technology, and Water (MEGTW), does not foresee any major shifts in Malaysia's energy sector even as electricity demand is expected to double by 2030. Malaysia will continue to pursue primarily gas and coal energy sources with some increased reliance on hydropower and biofuel from palm oil. Tenaga Nasional Berhad, the sole electricity provider in peninsular Malaysia, is continuing to push for Malaysia's first nuclear power plant. However, even if a plant is approved by the government, Loo said it would not be online until 2025 at the earliest.

2. (SBU) COMMENT: The addition of green technology to the ministry's name appears to be more about rebranding than redirection at this point. Loo does not anticipate a strong shift in MEGTW policy; there are no planned increases in pollution controls. However, the gradual phase out of oil and gas subsidies should create a strong incentive in the market for increased efficiency and alternative sources. Malaysia is taking measured steps toward greening the energy sector that will take advantage of domestic resources while still providing some opportunities for U.S. cooperation and commercial involvement. END SUMMARY AND COMMENT.

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THE MINISTRY OF ENERGY, GREEN TECHNOLOGY & WATER  
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3. (SBU) Prime Minister Najib announced on April 9 that the Ministry of Energy, Water, and Communication (MEWC) would be renamed the Ministry of Energy, Green Technology, and Water. The communications aspect of MEWC was moved under the Ministry of Information, Communications, and Culture. MEGTW also received a new minister, Peter CHIN Fah Kui, who had been serving as the Minister of Plantation Industries and Commodities since March 2004.

4. (SBU) Loo confirmed to ESTHoff in a meeting on May 28 that the reorganization of the ministry was a surprise to her and those in the ministry. She indicated that the move was made by the prime minister himself. Current outlays for the ministry have not changed and Loo did not expect any significant increase in funding to deal with the new green technology aspect of the ministry this fiscal year. Loo stated that the former MEWC had always been involved in green technologies and this reorganization merely meant MEGTW would "double its efforts" in that regard.

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AN HONEST OUTLOOK  
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5. (SBU) Loo does not foresee any major shifts in Malaysia's energy sector even as electricity demand is expected to double by 2030. Currently Malaysia's electricity production comes primarily from gas (about 50%), coal (about 35%), and hydro (about 14%). Tenaga Nasional Berhad (TNB), the sole electricity provider in peninsular

Malaysia, is continuing a protracted effort to build Malaysia's first nuclear power plant (see reftel). The head of TNB's Nuclear Energy Unit Dr. Mohd Zam Zam Jaafar claims that the unit has a "mandate" from TNB's board, which is chaired by former MEWC Minister Tan Sri Leo Moggie, to move ahead with plans to build a nuclear reactor. Former Prime Minister Mahatir Mohamad is publicly urging the government and TNB to not build a plant, citing safety concerns. Malaysia does not currently have a national nuclear policy and the government has not yet ruled on whether or not the plant should be constructed. Loo did not indicate when a decision on the plant might be made but local media reports say it could be soon. However, even if a plant is approved, Loo said it would not be online until 2025 at the earliest.

¶6. (SBU) Loo was bearish on the prospects for renewable energy sources in Malaysia. Hydro projects would continue including the controversial Bakun Dam project in Sarawak. This dam will create far more power than Sarawak can currently use. As such, MEGTW is planning an underwater transmission cable to connect the peninsula and Borneo. This cable would transmit around 10,000 megawatts of electricity to the peninsula. There are also plans to sell this power to Indonesia.

¶7. (SBU) Loo said solar and wind power are still too expensive. Malaysia is already pursuing several biomass power plants with the hopes of using empty fruit bunches (EFB) from the palm oil industry as fuel. Loo stated that all of these power plants are having serious technical problems due to too much moisture in the EFB fuel.

While the EFB can be dried, this dramatically decreases the efficiency.

As such, Loo said MEGTW would focus on efforts to increase energy efficiency from current sources rather than make large investments in nascent renewable energy technologies. A gradual phase out of oil and gas subsidies is planned to be concluded in the next couple years, providing a market incentive to bolster the efficiency policy.

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ROOM FOR INCREASED COLLABORATION  
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¶8. (SBU) Loo was eager to have increased interaction with the U.S. Minister Chin will be traveling to Mexico in March 2010 and is already planning on making a visit to the U.S. Loo requested Post's assistance in arranging an exchange with energy policy and regulatory agencies in the U.S., particularly the California Energy Commission. In addition, Loo said a U.S. bid on the Bakun Dam underwater cable would be welcomed. Post will follow up on these opportunities for cooperation with MEGTW and provide additional details to the Department and Washington agencies.

KEITH